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August 14, 2009

Honorable Chairwoman Marie Donigan
and Members of the House Intergovernmental and Regional Affairs Committee
790 House Office Building
P.O. Box 30014
Lansing, MI 48909

Dear Chairwoman Donigan:

I regret that I cannot be at your meeting on August 18th due to a previous commitment, so I am writing to you today to express my opposition to HB 5173 for the single reason that it does not contain opt-out language, which should be included in all tax increment financing legislation. The omission of opt-out language in this legislation permits a municipality to capture county property tax dollars without the agreement of the governing body that levies the tax.

Counties willingly provide funds to stimulate economic development. I have worked for three county Boards over my 26 years in county government, and none of these counties have ever objected to any tax abatements or other economic development projects that had merit. Moreover, I have no doubt that all of those County Boards would approve reasonable requests to create and even expand TIF districts that addressed a recognized need in the community that required dedicated funding. All three have had cooperative economic development relationships with their respective municipalities and made substantial voluntary contributions toward that end.

Without an opt-out in TIF legislation, however, counties have no say in how much, how long or for what purpose they will contribute to another jurisdiction's priorities--forever. That's just plain wrong.

Without the Opt-Out, TIF's Never End

The omission of the opt-out language in HB 5173 allows a municipality to extend the capture of these taxes indefinitely without the local taxing jurisdiction's approval. For example, the Grand Rapids Downtown Development Authority (DDA) plan, which was first adopted in 1980, has been amended 16 times. It was most recently amended in 2008, when it renewed itself for another 30 years.

The City of Midland's DDA has over \$1 million in cash, and over ½ million of its fund balance is unreserved and undesignated. The most recent plan amendment was adopted in 2005, which extended the plan for another 20 years. These pre-1994 TIFA's had no opt-out, so they will never die and will always find another reason to exist.

**County Boards
should be able to
determine whether
they agree with
extending the life
of a TIF Plan.**

Honorable Chairwoman Marie Donigan
and Members of the House Intergovernmental and Regional Affairs Committee
August 14, 2009
Page Two

The problem with these reincarnated TIF plans is that new projects that were never a part of the original plan are added. Some consider many of these new projects to be a frivolous use of public money at a time when budgets are squeezed and higher, non-mandated priorities are being reduced. The \$1 million+ dollars Midland County loses annually in tax captures and abatements would have prevented service reductions of over \$2 million and the elimination of 15 FTE positions in 2009, including several in the Sheriff Department.

Without the Opt-Out, TIF's Continually Expand

The continuous expansion of the Grand Rapids DDA illustrates what can happen when a city realizes that the more properties included in a TIF district, the more money that can be captured and used to do other projects. I have attached a map of the ever-expanding district that is capturing over \$2.7 million of Kent County tax revenue annually.

With each expansion, the TIFA increases the amount of taxes it can capture through inflation, if not real development. Each property added to a TIF district, of course, freezes the amount of tax it pays for county services forever, because the TIF plans never end.

Counties should be able to determine whether they agree with expanding the boundaries of a TIF district.

Saginaw County's Kochville Township had a pre-1994 DDA that wanted to double the size of its TIF district to include any properties that would have any growth in the distant future. If it weren't for the opt-out provision for DDA expansions, Kochville Township would have been successful in keeping all non-agricultural growth in taxable value for itself forever, forcing all the other residents of Saginaw County to fund greater shares of Saginaw County government services.

Without the Opt-Out, TIF's Spending Can Be Unaccountable and Irresponsible

The only restriction on TIF spending in the legislation is that TIF funds must be spent to benefit the district. Because the spending restrictions are so vague, TIF Boards often get to the point where they have more money than they originally needed to accomplish the objectives of the original plan. When there's no mechanism to challenge the projects added to TIF plans, municipalities have been very creative in using TIF money to finance traditional municipal services. Police and police cars, fire equipment and staff, parks, libraries, streets, sewers, water quality, electric service, swimming pools--you name it, and TIF Boards have spent money on things the municipality can't afford to put in its budget.

One can find many examples of these abuses by looking at just-about any well-established TIF district's plan. Some have even decided that they can also provide direct grants to the municipality for projects that have nothing to do with economic development.

Honorable Chairwoman Marie Donigan
and Members of the House Intergovernmental and Regional Affairs Committee
August 14, 2009
Page Three

In the summer 2007, the Ann Arbor DDA voted to approve a \$630,000 grant to the City of Ann Arbor to retrofit 1,400 downtown globe lights to more energy-efficient LED lights. Each globe street light that is retrofit to LED will represent a \$107/year cost savings to the City in energy and maintenance costs. What this clearly shows is that the city of Ann Arbor has no shame when it simply takes the captured tax money for its own, non-economic development purposes to save the city budget \$150,000 per year.

**Counties Boards
should be able to
determine
whether they
agree with the TIF
projects that will
be financed by
county tax dollars.**

In these tough times, counties can't afford to subsidize city budgets. And that's exactly what happens when cities aren't subject to an agreement to capture the tax increment.

Without the Opt-Out, This Bill Is Bad Public Policy

The Michigan Supreme Court has ruled that the legislature has the power to allow the diversion of tax revenue from other taxing jurisdictions to finance a municipality's TIF Plan, regardless of the purpose authorized by the voters (for the Senior Citizen tax levy, for example). Just because the Supreme Court recognized the power of the legislature to do it doesn't make it right. It is unconscionable that legislation continues to be introduced that perpetuates this clearly unfair and unaccountable taking of tax dollars by municipalities.

For the reasons cited above, tax increment financing legislation that allows municipalities and their unelected, puppet TIF Boards the unchallenged use of money from other jurisdictions forever is really bad public policy. Moreover, counties shouldn't have to fight for the ability to enter into an agreement on every single piece of TIF legislation that is introduced every year. This bill and all future Tax Increment Financing legislation should always include an opt-out provision.

I strongly urge the members of the House Intergovernmental and Regional Affairs Committee to include the opt-out language in this bill or vote it down.

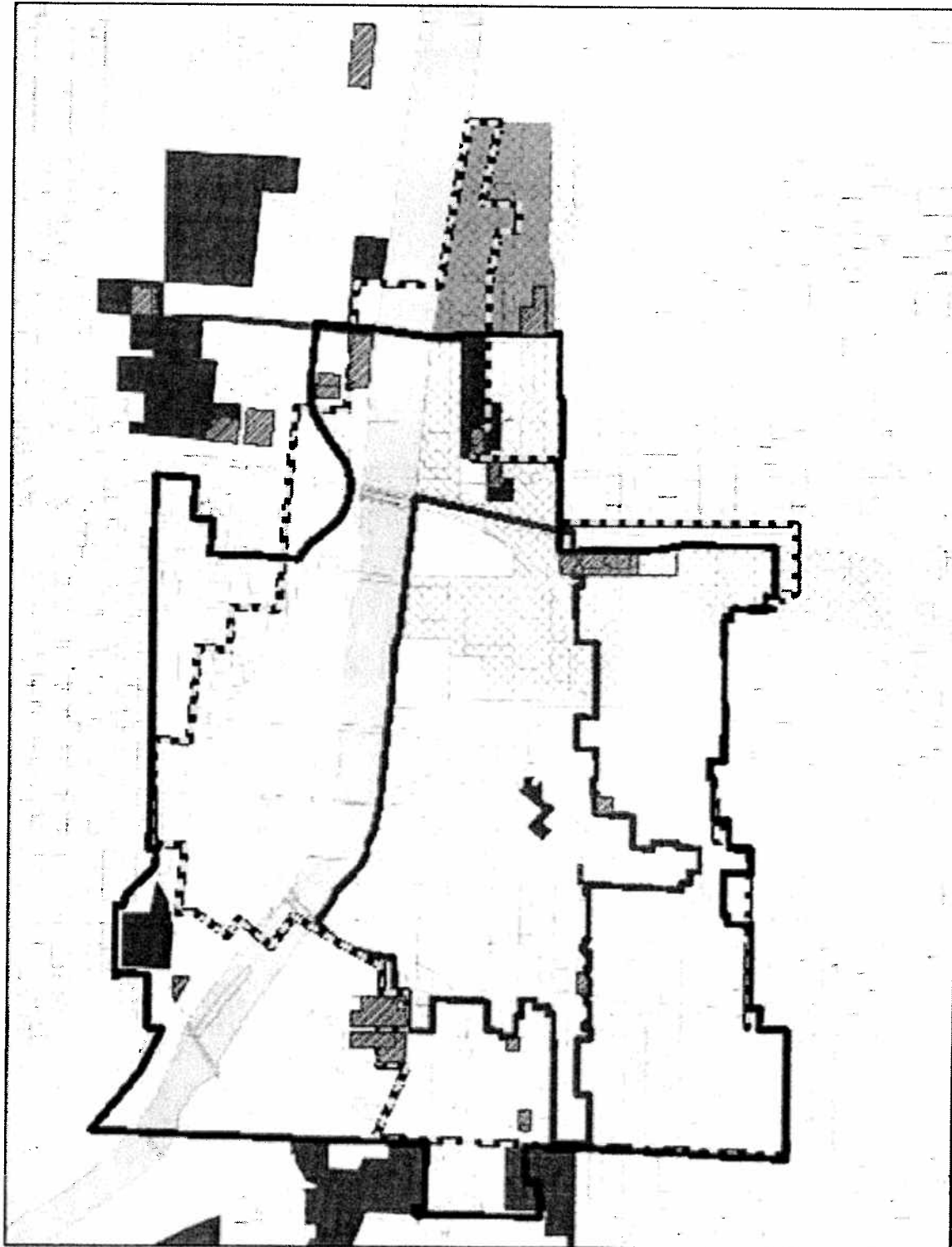
Sincerely,



David D. Benda
Administrator/Controller
County of Midland

c: Rep. Jim Stamas, Rep. Bill Caul, Sen. Tony Stamas
Eric Davis, Michigan Association of Counties
Midland County Board of Commissioners
att

DOWNTOWN ECONOMIC DEVELOPMENT DISTRICTS



DOWNTOWN DISTRICTS

	DOA Boundary		Grandfield TIF
	DOA TIF		Monroe North TIF A
	DED Assessment Area		SmartZone
	DED Service Area		Randomize Zones

